INDIANA HOUSING FINANCE AUTHORITY

Financial Statements

December 31, 1999 and 1998

(With Independent Auditors' Report Thereon)

2400 First Indiana Plaza
135 North Pennsylvania Street
Indianapolis, IN 46204-2452

INDEPENDENT AUDITORS' REPORT
UNQUALIFIED OPINION ON FINANCIAL STATEMENTS

To the Members of the
Indiana Housing Finance Authority:

We have audited the combined and individual balance sheets of the various funds of the Indiana Housing Finance Authority as of December 31, 1999 and 1998 and the related combined and individual statements of revenues, expenses and changes in equity and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined and individual financial positions of the various funds of the Indiana Housing Finance Authority as of December 31, 1999 and 1998 and the combined and individual results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2000 on our consideration of the Indiana Housing Finance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

KPMG LLP

Indianapolis, Indiana
February 29, 2000

INDIANA HOUSING FINANCE AUTHORITY

Balance Sheets

December 31, 1999 and 1998

	1999									
Assets	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined	1998 Combined
Cash and investments	$ 24,660,684	34,547,296	152,824,306	—	1,951,173	11,012,356	585,896	1,533,427	227,115,138	296,023,865
Mortgage loans receivable (note 5)	—	5,148,705	516,130,537	—	61,364,457	35,731,341	13,297,705	40,368,893	672,041,638	574,050,420
Less unamortized commitment fees	(66,377)	—	(389,109)	—	(668,901)	(524,308)	—	—	(1,648,695)	(3,157,670)
Net mortgage loans receivable	(66,377)	5,148,705	515,741,428	—	60,695,556	35,207,033	13,297,705	40,368,893	670,392,943	570,892,750
Accrued interest receivable:										
Investments	304,695	71,965	720,184	—	120,645	22,281	47,421	—	1,287,191	1,213,004
Mortgage loans	—	44,662	3,056,324	—	397,745	123,084	71,764	235,349	3,928,928	3,408,221
Deferred debt issuance costs, net	225,983	77,566	6,271,244	—	515,890	1,168,285	92,664	366,652	8,718,284	7,375,864
Office furniture and equipment, at cost, less accumulated depreciation	309,884	—	—	—	—	—	—	—	309,884	131,764
Other assets	876,889	10,276	130,953	—	—	140,893	—	—	1,159,011	973,267
Interfund accounts	343,846	172,316	(424,136)	—	(36,430)	(9,191)	(5,323)	(41,082)	—	—
Total assets	$ 26,655,604	40,072,786	678,320,303	—	63,644,579	47,664,741	14,090,127	42,463,239	912,911,379	880,018,735
Liabilities and Equity										
Liabilities:										
Bonds payable (note 6)	$ —	—	636,670,000	—	57,075,000	44,484,000	14,450,000	41,395,000	794,074,000	715,175,576
Less original issue discount	—	—	(52,363)	—	—	(98,016)	—	—	(150,379)	(241,355)
Net bonds payable	—	—	636,617,637	—	57,075,000	44,385,984	14,450,000	41,395,000	793,923,621	714,934,221
Collateralized bank loans (note 6)	—	26,638,000	—	—	—	—	—	—	26,638,000	47,885,000
Accrued interest payable	—	—	830,809	—	—	178,711	—	—	1,009,520	406,955
Commitment fee deposits	622,037	—	—	—	—	—	—	—	622,037	654,954
Accounts payable and other liabilities (note 8)	228,276	212,297	—	—	40,390	128,880	—	549,973	1,159,816	1,064,647
Total liabilities	850,313	26,850,297	637,448,446	—	57,115,390	44,693,575	14,450,000	41,944,973	823,352,994	764,945,777
Equity	25,805,291	13,222,489	40,871,857	–	6,529,189	2,971,166	(359,873)	518,266	89,558,385	115,072,958
Total liabilities and equity	$ 26,655,604	40,072,786	678,320,303	—	63,644,579	47,664,741	14,090,127	42,463,239	912,911,379	880,018,735

(Continued)

INDIANA HOUSING FINANCE AUTHORITY

Balance Sheets

December 31, 1999 and 1998

	1998								
Assets	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined
Cash and investments	$ 20,999,766	52,911,784	204,337,277	2,106,910	5,936,823	7,464,063	508,637	1,758,605	296,023,865
Mortgage loans receivable (note 5)	—	6,967,169	358,975,454	5,546,418	104,846,183	36,836,693	15,557,605	45,320,898	574,050,420
Less unamortized commitment fees	(86,410)	—	(548,099)	(130,040)	(1,202,045)	(1,191,076)	—	—	(3,157,670)
Net mortgage loans receivable	(86,410)	6,967,169	358,427,355	5,416,378	103,644,138	35,645,617	15,557,605	45,320,898	570,892,750
Accrued interest receivable:									
Investments	230,155	96,099	454,680	78,650	304,368	22,034	27,018	—	1,213,004
Mortgage loans	—	54,975	2,054,458	33,640	672,939	252,431	83,136	256,642	3,408,221
Deferred debt issuance costs, net	244,183	154,547	5,005,403	—	1,084,396	354,302	114,977	418,056	7,375,864
Office furniture and equipment, at cost, less accumulated depreciation	131,764	—	—	—	—	—	—	—	131,764
Other assets	772,396	6,738	194,133	—	—	—	—	—	973,267
Interfund accounts	439,298	172,316	6,317,477	(6,781,933)	(60,820)	(29,366)	(12,172)	(44,800)	—
Total assets	$ 22,731,152	60,363,628	576,790,783	853,645	111,581,844	43,709,081	16,279,201	47,709,401	880,018,735
Liabilities and Equity									
Liabilities:									
Bonds payable (note 6)	$ —	—	510,305,000	—	100,065,000	42,540,576	16,615,000	45,650,000	715,175,576
Less original issue discount	—	—	(57,568)	—	—	(183,787)	—	—	(241,355)
Net bonds payable	—	—	510,247,432	—	100,065,000	42,356,789	16,615,000	45,650,000	714,934,221
Collateralized bank loans (note 6)	—	47,885,000	—	—	—	—	—	—	47,885,000
Accrued interest payable	—	2,595	285,789	—	—	118,571	—	—	406,955
Commitment fee deposits	654,954	—	—	—	—	—	—	—	654,954
Accounts payable and other liabilities (note 8)	148,633	—	—	—	237,190	128,851	—	549,973	1,064,647
Total liabilities	803,587	47,887,595	510,533,221	—	100,302,190	42,604,211	16,615,000	46,199,973	764,945,777
Equity	21,927,565	12,476,033	66,257,562	853,645	11,279,654	1,104,870	(335,799)	1,509,428	115,072,958
Total liabilities and equity	$ 22,731,152	60,363,628	576,790,783	853,645	111,581,844	43,709,081	16,279,201	47,709,401	880,018,735

See accompanying notes to financial statements.

INDIANA HOUSING FINANCE AUTHORITY

Statements of Revenues, Expenses, and Changes in Equity

For the years ended December 31, 1999 and 1998

	1999									
	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined	1998 Combined
Revenues:										
Interest income on mortgage loans	$ —	641,967	30,055,164	—	6,227,461	2,709,369	945,318	2,936,650	43,515,929	41,396,292
Interest income on investments	1,308,902	2,704,809	11,526,497	—	861,221	337,463	77,249	206,188	17,022,329	18,151,386
Commitment fee amortization	20,033	—	289,030	—	533,144	666,768	—	—	1,508,975	767,869
Fee income	4,927,299	—	—	—	—	—	—	—	4,927,299	3,874,211
Net increase (decrease) in fair value of securities	(422,025)	(760,955)	(32,828,922)	—	(2,342,511)	(156,322)	(55,102)	(1,229,267)	(37,795,104)	(868,210)
Other income	945,674	—	—	—	—	—	—	—	945,674	727,816
Total Revenues	6,779,883	2,585,821	9,041,769	—	5,279,315	3,557,278	967,465	1,913,571	30,125,102	64,049,364
Expenses:										
Interest expense on bonds	—	—	33,968,101	—	6,295,248	2,843,619	946,246	2,758,885	46,812,099	44,823,605
Accretion on capital appreciation and compound interest bonds	—	—	—	—	—	123,433	—	—	123,433	491,187
Amortization of original issue discount	—	—	5,206	—	—	15,442	—	—	20,648	23,840
	—	—	33,973,307	—	6,295,248	2,982,494	946,246	2,758,885	46,956,180	45,338,632
Interest expense on bank loans	—	1,495,155	—	—	—	—	—	—	1,495,155	2,065,758
Amortization of debt issuance costs	18,200	76,982	493,036	—	406,036	33,569	22,312	51,403	1,101,538	879,361
Servicing fees on mortgage loans	—	22,878	143,772	—	—	33,167	—	—	199,817	272,820
Arbitrage expense	—	210,660	—	—	298,411	—	—	—	509,071	—
General and administrative expenses	3,379,246	33,690	1,386,555	—	128,793	327,586	22,981	94,445	5,373,296	4,598,424
Total expenses	3,397,446	1,839,365	35,996,670	—	7,128,488	3,376,816	991,539	2,904,733	55,635,057	53,154,995
Excess of revenues over expenses before gain on sales of investments and extraordinary items	3,382,437	746,456	(26,954,901)	—	(1,849,173)	180,462	(24,074)	(991,162)	(25,509,955)	10,894,369
Gain (loss) on sale of investments (note 7)	117	—	—	—	—	—	—	—	117	(7,930)
Extraordinary items (note 7):										
Bond call premium	—	—	—	—	(428,100)	—	—	—	(428,100)	(517,291)
Gain on extinguishment of debt	—	—	—	—	—	1,481,047	—	—	1,481,047	—
Write-off of debt issuance costs	—	—	—	—	(162,469)	(211,750)	—	—	(374,219)	(287,253)
Write-off of original issue discount	—	—	—	—	—	(70,328)	—	—	(70,328)	(7,586)
Total gain (loss) and extraordinary items	117	—	—	—	(590,569)	1,198,969	—	—	608,517	(820,060)
Net income (loss)	3,382,554	746,456	(26,954,901)	—	(2,439,742)	1,379,431	(24,074)	(991,162)	(24,901,438)	10,074,309
Equity, beginning of year	21,927,565	12,476,033	66,257,562	853,645	11,279,654	1,104,870	(335,799)	1,509,428	115,072,958	106,726,649
Other (note 1)	(1,100,000)	—	—	—	—	486,865	—	—	(613,135)	(1,728,000)
Distributions between funds	1,595,172	—	1,569,196	(853,645)	(2,310,723)	—	—	—	—	—
Equity, end of year	$ 25,805,291	13,222,489	40,871,857	—	6,529,189	2,971,166	(359,873)	518,266	89,558,385	115,072,958

(Continued)

INDIANA HOUSING FINANCE AUTHORITY

Statements of Revenues, Expenses, and Changes in Equity

For the years ended December 31, 1999 and 1998

	1998								
	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined
Revenues:									
Interest income on mortgage loans	$ —	903,403	23,044,861	615,740	9,656,117	3,047,348	1,025,006	3,103,817	41,396,292
Interest income on investments	1,207,854	3,099,099	11,012,109	334,753	1,523,125	654,273	68,556	251,617	18,151,386
Commitment fee amortization	27,095	—	231,295	66,898	426,080	16,501	—	—	767,869
Fee income	3,874,211	—	—	—	—	—	—	—	3,874,211
Net increase (decrease) in fair value of securities	20,498	(703,998)	1,193,448	—	(1,553,332)	73,278	(3,688)	105,584	(868,210)
Other income	727,816	—	—	—	—	—	—	—	727,816
Total Revenues	5,857,474	3,298,504	35,481,713	1,017,391	10,051,990	3,791,400	1,089,874	3,461,018	64,049,364
Expenses:									
Interest expense on bonds	—	—	27,330,101	449,345	10,142,271	2,938,530	1,020,570	2,942,788	44,823,605
Accretion on capital appreciation and compound interest bonds	—	—	—	375,714	—	115,473	—	—	491,187
Amortization of original issue discount	—	—	6,159	2,100	—	15,581	—	—	23,840
	—	—	27,336,260	827,159	10,142,271	3,069,584	1,020,570	2,942,788	45,338,632
Interest expense on bank loans	—	2,065,758	—	—	—	—	—	—	2,065,758
Amortization of debt issuance costs	18,200	84,407	352,612	41,200	296,770	33,710	28,063	24,399	879,361
Servicing fees on mortgage loans	—	32,916	177,026	27,163	—	35,715	—	—	272,820
Arbitrage expense	—	—	—	—	—	—	—	—	—
General and administrative expenses	2,813,210	35,229	1,089,217	19,006	173,899	343,913	31,206	92,744	4,598,424
Total expenses	2,831,410	2,218,310	28,955,115	914,528	10,612,940	3,482,922	1,079,839	3,059,931	53,154,995
Excess of revenues over expenses before gain on sales of investments and extraordinary items	3,026,064	1,080,194	6,526,598	102,863	(560,950)	308,478	10,035	401,087	10,894,369
Gain (loss) on sale of investments (note 7)	(7,930)	—	—	—	—	—	—	—	(7,930)
Extraordinary items (note 7):									
Bond call premium	—	—	(292,625)	(224,666)	—	—	—	—	(517,291)
Gain on extinguishment of debt	—	—	—	—	—	—	—	—	–
Write-off of debt issuance costs	—	—	(145,549)	(141,704)	—	—	—	—	(287,253)
Write-off of original issue discount	—	—	(2,949)	(4,637)	—	—	—	—	(7,586)
Total gain (loss) and extraordinary items	(7,930)	—	(441,123)	(371,007)	—	—	—	—	(820,060)
Net income (loss)	3,018,134	1,080,194	6,085,475	(268,144)	(560,950)	308,478	10,035	401,087	10,074,309
Equity, beginning of year	20,938,830	11,395,839	59,572,087	1,121,789	11,840,604	1,069,392	(345,834)	1,133,942	106,726,649
Other (note 1)	(1,455,000)	—	—	—	—	(273,000)	—	—	(1,728,000)
Distributions between funds	(574,399)	—	600,000	—	—	—	—	(25,601)	—
Equity, end of year	$ 21,927,565	12,476,033	66,257,562	853,645	11,279,654	1,104,870	(335,799)	1,509,428	115,072,958

See accompanying notes to financial statements.

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows

For the years ended December 31, 1999 and 1998

	1999								
	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined
Cash flows from operating activities:									
Net income (loss)	$ 3,382,554	746,456	(26,954,901)	—	(2,439,742)	1,379,431	(24,074)	(991,162)	(24,901,438)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:									
Loss on sale of securities	(117)	—	—	—	—	—	—	—	(117)
Change in fair value of securities	422,025	760,955	32,828,922	—	2,342,511	156,322	55,102	1,229,267	37,795,104
Investment income	(1,308,902)	(2,704,809)	(11,526,497)	—	(861,221)	(337,463)	(77,249)	(206,188)	(17,022,329)
Interest on bonds and bank loans	—	1,495,155	33,968,101	—	6,295,248	2,843,619	946,246	2,758,885	48,307,254
Amortization and write-off of debt issuance costs and discount amortization	18,200	76,981	498,241	—	568,506	331,089	22,313	51,404	1,566,734
Amortization of nonrefundable fee income	(20,033)	—	(289,030)	—	(533,144)	(666,768)	—	—	(1,508,975)
Accretion on capital appreciation and compound interest bonds	—	—	—	—	—	123,433	—	—	123,433
Changes in account balances:									
Nonrefundable fees received and commitment fee deposits	(32,917)	—	—	—	—	—	—	—	(32,917)
Purchase of mortgage loans	—	—	(208,092,276)	—	—	(15,159,179)	—	(57,799)	(223,309,254)
Principal repayments on mortgage loans	—	1,818,464	25,719,746	—	38,828,492	16,123,638	2,204,798	3,780,537	88,475,675
Accrued interest receivable on loans	—	10,313	(1,001,866)	—	275,194	129,347	11,372	21,293	(554,347)
Other assets	(104,493)	(3,538)	63,180	—	—	—	—	—	(44,851)
Accounts payable and other liabilities	79,643	212,297	—	—	(196,800)	29	—	—	95,169
Interfund accounts	95,452	—	6,741,613	(6,781,933)	(24,390)	(20,175)	(6,849)	(3,718)	—
Interfund transfer	(715,551)	—	(3,959,472)	4,675,023	—	—	—	—	—
Net cash provided (used) by operating activities	1,815,861	2,412,274	(152,004,239)	(2,106,910)	44,254,654	4,903,323	3,131,659	6,582,519	(91,010,859)

(Continued)

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows

For the years ended December 31, 1999 and 1998

	1999								
	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined
Cash flows from non capital financing activities:									
Proceeds from bond issues	$ —	—	162,560,000	—	—	18,190,000	—	—	180,750,000
Proceeds from bank loans	—	35,020,000	—	—	—	—	—	—	35,020,000
Payments on collateralized bank loans	—	(56,267,000)	—	—	—	—	—	—	(56,267,000)
Debt issuance costs incurred	—	—	(1,758,877)	—	—	(1,059,302)	—	—	(2,818,179)
Repayments and redemption of bonds	—	—	(36,195,000)	—	(42,990,000)	(16,370,008)	(2,165,000)	(4,255,000)	(101,975,008)
Interest paid on bonds and bank loans	—	(1,497,750)	(33,423,081)	—	(6,295,248)	(2,783,479)	(946,246)	(2,758,885)	(47,704,689)
Contribution from Pedcor	—	—	—	—	—	286,865	—	—	286,865
Contribution from Indiana Affordable Housing	—	—	—	—	—	200,000	—	—	200,000
Down Payment Assistance Fund contribution	(350,000)	—	—	—	—	—	—	—	(350,000)
Trust fund contribution	(750,000)	—	—	—	—	—	—	—	(750,000)
Net cash provided (used) by non capital financing activities	(1,100,000)	(22,744,750)	91,183,042	—	(49,285,248)	(1,535,924)	(3,111,246)	(7,013,885)	6,391,989
Cash flows from capital financing activities:									
Purchase of furniture and equipment (net of depreciation reimbursement from Program Funds)	(178,120)	—	—	—	—	—	—	—	(178,120)
Net cash provided by capital financing activities	(178,120)	—	—	—	—	—	—	—	(178,120)
Cash flows from investing activities:									
Purchases of investments	(9,695,259)	—	—	—	—	(5,912,063)	—	—	(15,607,322)
Interest received on investments	1,234,362	2,728,943	11,260,993	—	1,044,944	337,216	56,846	206,188	16,869,492
Proceeds from sales or maturities of investments	7,456,284	31,777,308	55,641,795	—	5,186,674	—	111,502	844,177	101,017,740
Net cash provided (used) by investing activities	(1,004,613)	34,506,251	66,902,788	—	6,231,618	(5,574,847)	168,348	1,050,365	102,279,910
Increase (decrease) in cash and cash equivalents	(466,872)	14,173,775	6,081,591	(2,106,910)	1,201,024	(2,207,448)	188,761	618,999	17,482,920
Cash and cash equivalents, beginning of year	2,576,993	211,325	33,373,511	2,106,910	—	6,443,417	—	—	44,712,156
Cash and cash equivalents, end of year	$ 2,110,121	14,385,100	39,455,102	—	1,201,024	4,235,969	188,761	618,999	62,195,076
Reconciliation of cash and cash equivalents:									
Cash and investments as presented in the balance sheet	24,660,684	34,547,296	152,824,306	—	1,951,173	11,012,356	585,896	1,533,427	227,115,138
Less: investments with maturities greater than three months	22,550,563	20,162,196	113,369,204	—	750,149	6,776,387	397,135	914,428	164,920,062
Cash and cash equivalents as presented in the statement of cash flows	$ 2,110,121	14,385,100	39,455,102	—	1,201,024	4,235,969	188,761	618,999	62,195,076

See accompanying notes to financial statements.

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows

For the years ended December 31, 1999 and 1998

	1998								
	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined
Cash flows from operating activities:									
Net income (loss)	$ 3,018,134	1,080,194	6,085,475	(268,144)	(560,950)	308,478	10,035	401,087	10,074,309
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:									
Loss on sale of securities	7,930	—	—	—	—	—	—	—	7,930
Change in fair value of securities	(20,498)	703,998	(1,193,448)	—	1,553,332	(73,278)	3,688	(105,584)	868,210
Investment income	(1,207,854)	(3,099,099)	(11,012,109)	(334,753)	(1,523,125)	(654,273)	(68,556)	(251,617)	(18,151,386)
Interest on bonds	—	2,065,758	27,330,101	449,345	—	2,938,530	1,020,570	2,942,788	36,747,092
Amortization and write-off of debt issuance costs and discount amortization	18,200	84,407	507,269	189,641	296,770	49,290	28,063	24,399	1,198,039
Amortization of nonrefundable fee income	(27,095)	—	(231,295)	(66,898)	(426,080)	(16,501)	—	—	(767,869)
Accretion on capital appreciation and compound interest bonds	—	—	—	375,714	—	115,473	—	—	491,187
Changes in account balances:									
Nonrefundable fees received and commitment fee deposits	(393,894)	—	—	—	—	—	—	—	(393,894)
Purchase of mortgage loans	—	—	(101,552,999)	—	—	(4,344,789)	—	(3,357,672)	(109,255,460)
Principal repayments on mortgage loans	—	2,814,524	33,615,360	2,695,624	34,077,077	37,095	853,364	2,767,372	76,860,416
Accrued interest receivable on loans	—	30,830	(335,155)	20,695	227,842	3,374	4,409	(3,429)	(51,434)
Other assets	41,212	(3,312)	(12,892)	—	—	—	—	—	25,008
Accounts payable and other liabilities	12,145	—	—	—	(1,600)	28	—	—	10,573
Interfund accounts	142,335	—	(6,675,389)	6,773,826	(20,091)	(444)	(643)	(219,594)	—
Interfund transfer	(574,399)	—	600,000	—	—	—	—	(25,601)	—
Net cash provided (used) by operating activities	1,016,216	3,677,300	(52,875,082)	9,835,050	33,623,175	(1,637,017)	1,850,930	2,172,149	(2,337,279)

(Continued)

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows

For the years ended December 31, 1999 and 1998

	1998								
	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined
Cash flows from non capital financing activities:									
Proceeds from bond issues	$ —	—	147,040,000	—	—	—	—	—	147,040,000
Proceeds from bank loans	—	44,050,000	—	—	—	—	—	—	44,050,000
Payments on collateralized bank loans	—	(32,702,000)	—	—	—	—	—	—	(32,702,000)
Debt issuance costs incurred	—	—	(1,589,696)	—	—	—	—	—	(1,589,696)
Repayments and redemption of bonds	—	—	(47,790,000)	(11,195,864)	—	(722,000)	(1,505,000)	(2,350,000)	(63,562,864)
Interest paid on bonds and bank loans	—	(2,063,163)	(27,072,995)	(449,345)	—	(2,904,527)	(1,020,570)	(2,942,788)	(36,453,388)
Contribution from Pedcor	—	—	—	—	—	27,000	—	—	27,000
Trust fund contribution	(1,455,000)	—	—	—	—	(300,000)	—	—	(1,755,000)
Net cash provided (used) by non capital financing activities	(1,455,000)	9,284,837	70,587,309	(11,645,209)	—	(3,899,527)	(2,525,570)	(5,292,788)	55,054,052
Cash flows from capital financing activities:									
Purchase of furniture and equipment (net of depreciation reimbursement from Program Funds)	20,459	—	—	—	—	—	—	—	20,459
Net cash provided by capital financing activities	20,459	—	—	—	—	—	—	—	20,459
Cash flows from investing activities:									
Purchases of investments	(25,105,112)	(16,437,516)	(24,748,149)	—	—	—	—	(917,901)	(67,208,678)
Interest received on investments	1,275,867	3,132,573	12,711,534	256,103	1,316,243	655,028	78,304	454,322	19,879,974
Proceeds from sales or maturities of investments	24,000,000	—	—	2,070,000	4,750,582	8,483,140	596,336	—	39,900,058
Net cash provided (used) by investing activities	170,755	(13,304,943)	(12,036,615)	2,326,103	6,066,825	9,138,168	674,640	(463,579)	(7,428,646)
Increase (decrease) in cash and cash equivalents	(247,570)	(342,806)	5,675,612	515,944	—	3,601,624	—	(3,584,218)	5,618,586
Cash and cash equivalents, beginning of year	2,824,563	554,130	27,697,899	1,590,966	—	2,841,793	—	3,584,218	39,093,569
Cash and cash equivalents, end of year	$ 2,576,993	211,324	33,373,511	2,106,910	—	6,443,417	—	—	44,712,155
Reconciliation of cash and cash equivalents:									
Cash and investments as presented in the balance sheet	20,999,766	52,911,784	204,337,277	2,106,910	5,936,823	7,464,063	508,637	1,758,605	296,023,865
Less: investments with maturities greater than three months	18,422,773	52,700,460	170,963,766	—	5,936,823	1,020,646	508,637	1,758,605	251,311,710
Cash and cash equivalents as presented in the statement of cash flows	$ 2,576,993	211,324	33,373,511	2,106,910	—	6,443,417	—	—	44,712,155

See accompanying notes to financial statements.

(1) Authorizing Legislation and Funds

The Indiana Housing Finance Authority (the Authority) was created in 1978 by an act of the Indiana Legislature (the Act). The Authority has been given numerous powers under the Act, including the power to enter into contracts and agreements, acquire, hold and convey property and issue notes and bonds, for the purpose of financing residential housing for persons and families of low and moderate incomes.

The powers of the Authority are vested by the Act in seven members, four of whom are appointed by the Governor and three of whom serve by virtue of holding other state offices. The three ex officio members are the Director of Department of Commerce, the Treasurer of State and Director of the Department of Financial Institutions. By statute, the Lieutenant Governor is Director of the Indiana Department of Commerce. The Lieutenant Governor and Treasurer of State hold elective positions, and the Director of the Department of Financial Institutions holds an appointive position at the pleasure of the Governor. The Authority is considered a component unit of the State of Indiana and is discretely presented in the State's Financial Statements as determined by the Indiana State Board of Accounts.

The Act empowers the Authority to (1) make or participate in the making of construction loans and mortgage loans to sponsors of federally assisted multi-family residential housing; (2) purchase or participate in the purchase from mortgage lenders, mortgage loans made to persons of low and moderate income for residential housing; and (3) make loans to mortgage lenders for the purpose of furnishing funds to be used for making mortgage loans to persons and families of low and moderate incomes. The Act authorizes the Authority to issue its bonds and notes to carry out its purposes, and neither the Act nor the Bond Trust Indentures establish any limitation as to the aggregate amount of obligations which the Authority may have outstanding.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purposes under powers granted to it by the Act. The financial transactions of the Authority are recorded in the funds which consist of a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenses as appropriate. The Authority's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which financial activity is controlled.

General Fund - Administration

The General Fund was established by the Authority to account for all fee income and charges which are not required to be recorded in other funds and for operating expenses of the Authority. In 1999 and 1998, the Authority elected to set aside $24,861,100 and $24,994,000, respectively, of its single family bonding authority for the issuance of Mortgage Credit Certificates primarily to first time home buyers.

General Fund Investments

The Authority initiated a Collateralized Bank Loan Program in 1993 (see note 6) in its General Fund.

Single Family Mortgage Program Fund

The Single Family Mortgage Program Fund provides for the purchase of mortgage loans made to eligible borrowers for owner occupied housing. Borrowers meeting certain income guidelines may qualify under the Authority's First Home Plus Program which allows the borrower to receive up to 10% of down payment assistance money from the HOME Investment Fund. This is a non-amortizing second mortgage at a 0% interest rate which is forgivable after five years. The Authority has issued thirty-seven series of Single Family Mortgage Program Bonds (see note 6).

Commencing in June 1980, the Authority entered into mortgage purchase agreements with certain commercial banks, savings and loan associations and mortgage banking companies admitted to do business in the State of Indiana whereby the lenders agreed to originate mortgage loans on newly constructed and existing dwellings meeting criteria established by the Authority and to sell them to the Authority.

Residential Mortgage Program Fund

Established in 1988, the Residential Mortgage Program Fund provides for the purchase of mortgage loans made to eligible borrowers for owner-occupied housing. Mortgage loans are purchased in this fund under the same mortgage purchase agreements with certain commercial banks, savings and loan associations and mortgage banking companies as those in the Single Family Mortgage Program Fund. The Authority has issued one series of Residential Mortgage Program Bonds for the purchase of FHA insured mortgage loans (see note 6). At the Authority's option, a portion of the proceeds from the issuance of the Single Family Mortgage Program 1998 Series D bonds were used to call all of the remaining 1988 RA bonds of the Residential Mortgage Program Fund on January 1, 1999. The remaining mortgage loans of the Residential Mortgage Program Fund were subsequently transferred to the Single Family Mortgage Program Fund 1998 Series D.

GNMA Mortgage Program Fund

Established in 1989, the GNMA Mortgage Program Fund provides for the purchase of mortgage loans securitized by Government National Mortgage Association (GNMA). GNMA is a wholly-owned corporate instrumentality of the United States within the Department of Housing and Urban Development which guarantees the timely payment of principal and interest. GNMA Certificates are collateralized by mortgage loans made to qualified persons and families of low or moderate income to finance the acquisition of residences located in the State of Indiana. The Authority has issued seven series of Single Family Mortgage Revenue Bonds (GNMA Mortgage Program Fund) (see note 6). At the Authority's option, a portion of the proceeds from the issuance of the Single Family Mortgage Program 1999 Series X and 1999 Series Y bonds were used to call all of the remaining 1989 Series A bonds of the GNMA Mortgage Program Fund during 1999. Mortgage loans in an amount equal to the proceeds received were transferred to the Single Family Mortgage Program Fund 1999 Series X and 1999 Series Y. The remaining mortgage loans of the 1989 Series A of the GNMA Mortgage Program Fund were transferred to the General Fund Administration.

Multi-Unit Mortgage Program Fund

This fund, established in 1982 under the Multi-Unit Mortgage Program Resolution, uses bond proceeds to provide construction and long-term financing for certain federally assisted multi-unit housing developments intended for occupancy by families and persons of low and moderate incomes. The Authority has issued four series of Multi-Unit Program Bonds and is the special purpose issuer for three series (see note 6).

The Multi-Family Housing Mortgage Revenue Bonds are limited and special obligations of the Authority payable solely from the payments on the mortgage note, certain other payments under the Building Loan Agreement made by the owner and required debt service reserves of the issue. Neither the Bonds nor the obligation to pay the principal or interest thereon constitutes an indebtedness of the Authority or the State of Indiana.

In December 1999, the Authority, as a special purpose issuer, issued $18,190,000 of Multi-Family Housing Revenue Bonds (Indiana Affordable Housing) under a separate closed indenture, which are included in these financial statements as part of the Authority's Multi-Unit Mortgage Program Fund. The proceeds of the bonds are currently being used to finance the acquisition and rehabilitation of five HUD 236 properties located throughout the state of Indiana. The bonds will be backed solely by the revenues from these properties. Fannie Mae has provided a credit enhancement on the loan which ensures the timely payment of principal and interest on payments on the mortgage loan.

In August of 1997, the Authority, as a special purpose issuer, issued $10,000,000 of Multi-Family Housing Mortgage Revenue Bonds (Cumberland Crossing) under a separate closed indenture, which are included in these financial statements as a part of the Authority's Multi-Unit Mortgage Program Fund. The proceeds of the bonds are currently being used to construct a new multi-family residential rental facility containing 232 apartment units. The expended funds are subject to the terms of a loan agreement dated July 1, 1997, and the bonds are secured by two letters of credit issued by the Federal Home Loan Bank that expire August 21, 2007. Pedcor Investments 1997 XXX LP (Pedcor) is responsible for the bond payments from a source of funds outside of the Authority.

In April of 1992, the Authority, as a special purpose issuer, issued $7,230,000 of Multi-Family Housing Mortgage Revenue Bonds (Hunter's Run) under a separate closed indenture, which are included in these financial statements as a part of the Authority's Multi-Unit Mortgage Program Fund. The proceeds of the bonds, after funding the required reserves, were used by the project owner to acquire and rehabilitate an existing multi-family residential rental facility containing 304 apartment units. The expended funds are subject to a mortgage loan amortizable over 40 years commencing October 1, 1993. The permanent mortgage is insured by the Federal Housing Administration pursuant to the provisions of Section 221 (d) (4) of the National Housing Act of 1934.

The Authority made a commitment in 1993 to make a permanent contribution for each of five years beginning with 1994 to the Low Income Housing Trust Fund (the Trust Fund). These funds are from the excess revenues from the 1982 Multi-Unit Mortgage Program Indenture (the Indenture). Each year, $300,000 will be given to the Trust Fund from the Indenture. The Indenture paid the final $300,000 installment in 1998. The Trust Fund was formed in 1989 under Section 5-20-4 of the Indiana Code. The Trust Fund is administered by the Authority and shares the same Board of Directors.

First Home Mortgage Program Fund

Established in 1994, the First Home Indenture provides for the purchase of low-income mortgage loans which are securitized by the Federal National Mortgage Association (FNMA) which guarantees the timely payment of principal and interest. FNMA is a federally chartered stockholder-owned, privately managed corporation which works to provide liquidity to the residential mortgage market. The FNMA Certificates are collateralized by mortgage loans made to qualified persons and families of low income to finance the acquisition of single family residences in the State of Indiana. This program was facilitated by a Down Payment Assistance Program from the federal HOME Investment Fund, which provided a 20% second mortgage at 0% interest. Therefore, the Authority offered 100% financing to all participants in this program. The Authority has issued four series in this Indenture which were privately placed with FNMA.

Working Families Program Fund

Established in December of 1994, this Indenture originally provided for the preservation of bond volume in the short term. A portion of the Convertible Option Bonds (COB) were remarketed into a single family mortgage program within this Indenture. The loans of the program are collateralized by FNMA and GNMA certificates. As a part of the remarketing of the COB, in July 1996 the Authority issued two series within this Indenture. Approximately eighty percent of the bond proceeds are utilized under the same guidelines as the Authority's Single Family Mortgage Program Fund.

The remaining twenty percent of the bond proceeds have been set aside for a special program referred to as the Working Families Program. This program allows for down payment assistance of 10% in addition to the 10% assistance described in the Single Family Mortgage Program Fund. The source of these additional funds is the positive arbitrage earned under the original COB investments and bonds. These arbitrage funds are loaned to the qualified borrower at 0% and are payable to the Authority upon payoff of the first mortgage.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Authority's financial statements have been prepared on the basis of the Governmental Proprietary Fund concept as set forth in Statement 1 of the Governmental Accounting Standards Board (GASB). The Governmental Proprietary Fund concept provides that financial activities operated similarly to private business enterprises and financed through fees and charges assessed primarily to users of the services be presented as a single proprietary fund. The financial statements have been prepared using the accrual method of accounting.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

(b) Investment Securities

In March 1997, the Governmental Accounting Standards Board (GASB) issued Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* (Statement No. 31) effective for fiscal years beginning after June 15, 1997. Statement No. 31 requires investment securities, including mortgage backed securities, to be recorded at fair value and the unrealized gains or losses reported in the Statements of Revenues, Expenses, and Changes in Equity.

The Authority adopted the provisions of Statement No. 31 effective January 1, 1998. This statement was applied retroactively, and the 1997 financial statements were restated to reflect this adoption. As a result of the retroactive adoption, beginning combined 1997 equity was increased by $2,292,821 and net income decreased $868,210 for the year ended December 31, 1998, and increased $1,150,279 for the year ended December 31, 1997.

Following is a summary of the effect of adopting Statement No. 31 on total assets, equity and net income for 1999 and 1998:

	Total Assets			
	1999		1998	
	With Statement No. 31	Without Statement No. 31	With Statement No. 31	Without Statement No. 31
General Fund Administration	$ 26,655,604	27,024,703	22,731,152	22,678,227
General Fund Investments	40,072,786	39,075,277	60,363,628	58,605,164
Single Family Mortgage Program Fund	678,320,303	713,054,182	576,790,783	579,357,899
Residential Mortgage Program Fund	—	—	853,645	853,645
GNMA Mortgage Program Fund	63,644,579	62,608,065	111,581,844	107,472,051
Multi-Unit Mortgage Program Fund	47,664,741	47,617,194	43,709,081	43,505,211
First Home Mortgage Program Fund	14,090,127	14,715,336	16,279,201	16,849,309
Working Families Program Fund	42,463,239	44,105,444	47,709,401	48,122,339
Combined	$ 912,911,379	948,200,201	880,018,735	877,443,845

	Total Equity			
	1999		1998	
	With Statement No. 31	Without Statement No. 31	With Statement No. 31	Without Statement No. 31
General Fund Administration	$ 25,805,291	26,174,390	21,927,565	21,874,640
General Fund Investments	13,222,489	12,224,980	12,476,033	10,717,569
Single Family Mortgage Program Fund	40,871,856	75,605,735	66,257,562	68,824,678
Residential Mortgage Program Fund	—	—	853,645	853,645
GNMA Mortgage Program Fund	6,529,189	5,492,675	11,279,654	7,169,861
Multi-Unit Mortgage Program Fund	2,971,166	2,923,619	1,104,870	901,000
First Home Mortgage Program Fund	(359,873)	265,336	(335,799)	234,309
Working Families Program Fund	518,266	2,160,471	1,509,428	1,922,366
Combined	$ 89,558,384	124,847,206	115,072,958	112,498,068

	Net Income (Loss)			
	1999		1998	
	With Statement No. 31	Without Statement No. 31	With Statement No. 31	Without Statement No. 31
General Fund Administration	$ 3,382,553	3,804,578	3,018,134	2,997,636
General Fund Investments	746,456	1,507,411	1,080,194	1,784,192
Single Family Mortgage Program Fund	(26,954,901)	5,874,021	6,085,475	4,892,027
Residential Mortgage Program Fund	—	—	(268,144)	(268,144)
GNMA Mortgage Program Fund	(2,439,742)	(97,231)	(560,950)	992,382
Multi-Unit Mortgage Program Fund	1,379,431	1,535,753	308,478	235,200
First Home Mortgage Program Fund	(24,074)	31,028	10,035	13,723
Working Families Program Fund	(991,162)	238,105	401,087	295,503
Combined	$ (24,901,439)	12,893,665	10,074,309	10,942,519

(c) Asset Restrictions

All assets and revenues of the Single Family, Residential, GNMA, Collateralized Home Mortgage, Multi-Unit Mortgage, First Home, and Working Families Program Funds are restricted or pledged as provided by the bond resolutions and indentures of the trust agreements. Assets of the General Fund are not restricted or pledged except as described in notes 3 and 6.

(d) Bond Issuance Costs

Bond issuance costs are deferred and amortized over the contractual life of the respective bond issue based on the interest method.

(e) Original Issue Discounts

Original issue discounts on bonds are amortized using the interest method, over the life of the bonds to which they relate.

(f) Capital Appreciation Bonds

No interest is paid to holders of Capital Appreciation Bonds (CABS). The CABS accrete at annual compounded rates of approximately 7.96% for the Residential 1988 Series A and 10% for the Multi-Unit 1985 Series A. Accumulated accretion and interest is included in the accompanying balance sheet as Bonds Payable.

(g) Office Furniture and Equipment

Office furniture and equipment is stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets.

(h) Nonrefundable Fees

Nonrefundable fees received (commitment and buy-down fees) and direct costs associated with originating mortgage loans are deferred and recognized over the life of the mortgage loans.

(i) Other Program Fees

Fees for Mortgage Credit Certificate and Mortgage Revenue Bond Programs are recorded as fee income in the General Fund as certificates are issued. Low Income Housing Tax Credit fees are recognized as applications are submitted.

(j) Provision for Possible Loan Losses

No provision for possible loan losses has been made because the Authority has purchased mortgage pool insurance on its loans, or they are fully insured by the FHA, as described in note 5. The remaining loans have been pooled into FNMA or GNMA mortgage-backed securities which ensures the timely payment of principal and interest on the underlying mortgage loans.

(Continued)

(k) Bonds, Bank Loans and Interest Payable

Bond principal, bank loan principal and interest payments due on January 1 of the following fiscal year are considered paid as of December 31.

(l) Allocation of Expenses Among Funds

The Single Family, Residential, GNMA, First Home, Multi-Unit Mortgage, and Working Families Programs, provide that funds may be transferred to the General Fund for the purpose of paying reasonable and necessary program expenses.

(m) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and investments with a maturity of three months or less.

(Continued)

(3) Restricted Cash and Restricted Investments

The Trust Indentures between the Authority and the Program Trustee established special accounts for the segregation of assets and restriction of the use of bond proceeds and certain other funds received. As of December 31, 1999 and 1998, the assets of all accounts equaled or exceeded the requirements as established by the Indentures. Such assets are restricted for the following purposes:

	Restricted Cash and Investments									
	December 31, 1999									
	General Fund Administration	General Fund Investments	Single Family Mortgage Program Fund	Residential Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Combined	December 31, 1998 Combined
Refundable Reservation Fee Escrow Accounts	$ 622,037	—	—	—	—	—	—	—	622,037	654,954
Loan or Bond Proceeds Accounts - Payment of issuance costs and purchase of qualified mortgage loans	—	—	69,826,139	—	—	4,933,554	—	70,724	74,830,417	132,511,068
Revenue Accounts-Deposit of Program revenues for debt service payments and Program expense disbursements	—	14,820,167	59,448,322	—	1,951,173	2,276,181	585,896	1,462,703	80,544,442	83,553,435
Mortgage Reserve Accounts-Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement	—	34,758	2,335,045	—	—	45,385	—	—	2,415,188	2,387,319
Debt Service Reserve Accounts-Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds	—	—	21,214,800	—	—	3,345,136	—	—	24,559,936	29,188,735
Loan Loss Escrow Account-Established to reserve for mortgage loan defaults not covered by the Federal Department of Housing and Urban Development, and shall be maintained at one-half of one percent of the outstanding principal balance of loans purchased	30,875	—	—	—	—	—	—	—	30,875	39,958
Rebate arbitrage account (Hunter's Run)	—	—	—	—	—	12,100	—	—	12,100	10,191
Original ADFA investment	—	16,957	—	—	—	—	—	—	16,957	16,957
Earn Out account (Indiana Affordable Housing, Inc.)	—	—	—	—	—	400,000	—	—	400,000	—
Investments collateralizing debt obligations	—	19,675,414	—	—	—	—	—	—	19,675,414	27,356,394
	$ 652,912	34,547,296	152,824,306	—	1,951,173	11,012,356	585,896	1,533,427	203,107,366	275,719,011

(Continued)

(4) Cash and Investments

A summary of cash and investments as of December 31, 1999 and 1998 follows:

	1999			
	Category 1	**Category 3**	**Total Fair Value**	**Cost**
Cash and collateralized repurchase agreements	$ 60,465,927	1,029,147	61,495,074	61,495,074
Certificates of deposit	700,000		700,000	700,000
U. S. Treasury Bonds and Notes	13,530,825	—	13,530,825	12,051,293
Federal agency obligations	50,587,592	—	50,587,592	50,237,723
Guaranteed investment contracts and other	100,801,647	—	100,801,647	100,801,647
	$ 226,085,991	1,029,147	227,115,138	225,285,737

	1998			
	Category 1	**Category 3**	**Total Fair Value**	**Cost**
Cash and collateralized repurchase agreements	$ 42,275,221	2,436,934	44,712,155	44,712,155
Certificates of deposit	700,000	—	700,000	700,000
U. S. Treasury Bonds and Notes	16,251,933	—	16,251,933	12,887,555
Federal agency obligations	52,753,749	—	52,753,749	50,996,655
Guaranteed investment contracts and other	181,606,028	—	181,606,028	181,606,028
	$ 293,586,931	2,436,934	296,023,865	290,902,393

The Authority’s cash and collateralized repurchase agreements are insured in full by the combination of Federal deposit insurance and the Indiana Public Deposit Insurance Fund. The Authority's investments are categorized by the level of credit risk assumed. Category 1 includes investments insured or registered or held by the entity, its agent or its trustee in the Authority's name. Category 3 includes bank balances that are not collateralized or insured but are held by the Authority's banks. The Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, obligations issued by certain agencies of the Federal government, and investments collateralized by those types of investments. At December 31, 1999, all investments held by the Authority were in compliance with the requirements of the Indentures.

(Continued)

(5) Mortgage Loans Receivable

The Single Family Mortgage Program requires that mortgage loans shall be made to borrowers whose adjusted family income does not exceed 125% of the median income for the borrower's geographic area. At least 40% of the mortgage loans purchased by the Authority must be loans to borrowers whose income is below 80% of the median income for the borrower's geographic area. In addition, Section 103A of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower.

The Single Family Mortgage Program Bond Trust Indenture requires that all mortgage loans be insured by the FHA, VA or, if the loan to value ratio is greater than 80%, by an approved private mortgage insurer.

The Indenture also requires pool insurance ranging from 10% to 25% of the initial principal amount of mortgage loans to be purchased. The Authority has obtained mortgage pool insurance covering net losses on all mortgage loans financed from the proceeds of the 1980 through 1987 Single Family Mortgage Program bonds.

The proceeds of the 1992 through 1999 Single Family and Working Family bonds were used to purchase GNMA and FNMA certificates collaterallized by mortgage loans approved under the guidelines of the Single Family Mortgage Program.

All of the mortgages in the Multi-Unit Mortgage Program Fund except Cumberland Crossing and Indiana Affordable Housing are insured by the FHA. The mortgages are insured under the FHA 221-(d)-4 program. The bonds in the Cumberland Crossing Series are secured by two letters of credit. The mortgage in the Indiana Affordable Housing Series is secured by FNMA under a credit facility.

The Residential Mortgage Program requires that, except with respect to mortgage loans financed for homes located in targeted areas, all borrowers must have family incomes which are 115% or less, of the greater of the borrower's geographic area's median family income or the statewide median family income. Additionally, no less than two-thirds of the bond proceeds which are used to finance targeted residences shall be for borrowers whose family income is less than 140% of the applicable geographic area's median family income. All mortgages under the Residential Mortgage Program are fully insured by the FHA. All mortgages remaining in the Residential Mortgage Program were transferred to the Single Family Mortgage Program Fund in 1999.

Mortgage loans which collateralize the GNMA Certificates purchased by the Authority under the GNMA Mortgage Program must meet the same requirements as those purchased under the Residential Mortgage Program and are also fully insured by the FHA.

Mortgage loans which collateralize the FNMA certificates purchased by the Authority under the First Home Mortgage Program requires that the loans be made to first-time home owners and meet the standard requirements for FNMA underwritten mortgages, as well as U.S. Department of Housing and Urban Development (HUD) guidelines.

The financing periods of the mortgage loans financed through the Single Family, Residential, GNMA, First Home, and Working Families Mortgage Programs vary in duration from twenty-five to thirty years (principally thirty years). The financing rates at December 31, 1999, are as follows:

Single Family Mortgage Program	Mortgage Rate	Certificate Rate
1985 Series B	6.875% to 13.880%	6.250% to 6.375%
1986 Series A	6.875% to 9.500%	6.250% to 6.375%
1986 Series B	6.875% to 9.470%	6.250% to 6.375%
1987 Series A	8.190%	
1987 Series B	8.950% to 9.470%	
1987 Series C	8.950% to 9.470%	
1992 Series A	7.875% to 13.875%	
1995 Series A	7.440% to 7.540%	6.935% to 6.940%
1995 Series B	6.750% to 9.940%	6.245% to 6.250%
1995 Series C	6.650% to 10.700%	6.135% to 6.150%
1996 Series A	7.150% to 7.250%	6.625% to 6.650%
1996 Series D	7.150% to 9.940%	6.625% to 6.650%
1997 Series A	6.250% to 8.500%	5.750% to 6.320%
1997 Series B	6.000% to 7.350%	5.415% to 6.875%
1997 Series C	6.250% to 7.310%	5.750% to 6.725%
1997 Series D	6.875% to 7.250%	6.250% to 6.700%
1998 Series A	6.000% to 7.500%	5.415% to 7.000%
1998 Series B	6.500% to 7.500%	5.915% to 7.000%
1998 Series C	6.000% to 7.500%	5.415% to 7.000%
1998 Series D	6.000% to 8.900%	5.415% to 6.250%
1999 Series A	6.000% to 7.500%	5.415% to 7.000%
1999 Series X	6.000% to 8.900%	5.415% to 8.400%
1999 Series Y	6.000% to 8.900%	5.415% to 8.400%
1999 Series Z	6.250% to 7.500%	5.750% to 7.000%

GNMA Mortgage Program	Mortgage Rate	Certificate Rate
1990 Series A	8.54%	8.04%
1990 Series B	8.30%	7.80%
1990 Series C	8.34%	7.84%
1990 Series D	8.35%	7.85%
1990 Series E	8.54%	8.04%
1990 Series F	8.22%	7.72%

First Home Program	Mortgage Rate	Certificate Rate
1994 Series A	6.75% to 6.90%	6.13% to 6.28%
1994 Series B	6.75%	6.13%
1994 Series C	6.65%	6.03%
1994 Series D	6.65% to 6.80%	6.03% to 6.18%

(Continued)

Working Families Program Fund	Mortgage Rate	Certificate Rate
1994 Series D	7.380% to 7.480%	6.855% to 6.88%
1996 Series B	7.380% to 7.480%	6.855% to 6.88%

GNMA and FNMA certificates, which are included in the mortgage loan receivable balance as presented in the balance sheet, fall under the requirements set forth by the adoption of GASB Statement No. 31. The table below shows the impact of GASB Statement No. 31 on the mortgage loan receivable balance by indenture.

	1999	
	Fair Value	Cost
General Fund Investments	$ 5,148,705	5,148,705
Single Family Mortgage Program Fund	516,130,537	552,017,860
Residential Mortgage Program Fund	—	—
GNMA Mortgage Program Fund	61,364,457	60,327,943
Multi-Unit Mortgage Program Fund	35,731,341	35,731,341
First Home Mortgage Program Fund	13,297,705	13,922,914
Working Families Program Fund	40,368,893	42,011,098
Combined	$ 672,041,638	709,159,861

	1998	
	Fair Value	Cost
General Fund Investments	$ 6,967,169	6,967,169
Single Family Mortgage Program Fund	358,975,454	364,648,782
Residential Mortgage Program Fund	5,546,418	5,546,418
GNMA Mortgage Program Fund	104,846,183	100,736,390
Multi-Unit Mortgage Program Fund	36,836,693	36,836,693
First Home Mortgage Program Fund	15,557,605	16,127,712
Working Families Program Fund	45,320,898	45,733,836
Combined	$ 574,050,420	576,597,000

(Continued)

(6) Bonds Payable

Bonds payable at December 31, 1999 and 1998 consisted of (dollars in thousands):

Single Family Mortgage Program Fund		Original Amount	Balanced 1999	Balanced 1998
1992 A Refunding:				
Serial bonds (5.70% to 6.35%), due 1998 – 2002	$	17,740	3,970	5,400
Term bonds (6.60%), due 2005		8,775	5,610	5,610
Term bonds (6.75%), due 2009		16,885	10,780	10,780
Term bonds (6.80%), due 2016		38,745	24,725	24,725
		82,145	45,085	46,515
1995 Series A:				
Serial bonds (4.90% to 6.00%), due 1998 – 2008		7,095	5,490	5,980
Term bonds (6.45%), due 2014		5,075	5,075	5,075
Term bonds (6.25%), due 2016		4,230	4,230	4,230
Term bonds (6.10%), due 2025		6,000	620	3,580
Term bonds (6.60%), due 2026		12,600	12,600	12,600
		35,000	28,015	31,465
1995 Series B:				
Serial bonds (4.55% to 5.75%), due 1998 – 2008		12,725	7,425	9,020
Term bonds (6.125%), due 2014		8,285	6,270	6,985
Term bonds (6.15%), due 2017		3,825	2,880	3,210
Term bonds (6.30%), due 2019		3,440	2,585	2,885
Term bonds (6.30%), due 2022		3,900	2,965	3,305
Term bonds (6.30%), due 2027		9,760	7,355	8,215
		41,935	29,480	33,620
1995 Series C:				
Serial bonds (4.40% to 5.55%), due 1998 – 2008		10,500	8,290	9,240
Term bonds (5.25%), due 2012		8,680	—	2,065
Term bonds (5.95%), due 2015		10,475	10,475	10,475
Term bonds (5.80%), due 2025		14,885	11,600	13,955
Term bonds (6.15%), due 2026		15,460	15,460	15,460
		60,000	45,825	51,195

(Continued)

Bonds payable, continued	Original Amount	Balance 1999	Balance 1998
1996 Series A:			
Serial bonds (4.30% to 6.05%), due 1998 – 2010	7,625	5,595	6,775
Term bonds (5.95%), due 2013	2,450	2,360	2,430
Term bonds (6.25%), due 2017	4,965	4,775	4,920
Term bonds (5.55%), due 2020	4,960	2,420	3,865
Term bonds (6.25%), due 2028	15,000	14,440	14,870
	35,000	29,590	32,860
1996 Series D:			
Serial bonds (4.15% to 5.55%), due 1998 – 2008	8,525	6,145	7,690
Term bonds (6.05%), due 2015	6,890	6,445	6,815
Term bonds (6.35%), due 2021	10,015	9,370	9,905
Term bonds (6.35%), due 2025	8,710	8,145	8,610
Term bonds (5.70%), due 2028	7,045	4,995	6,030
	41,185	35,100	39,050
1997 Series A-1:			
Term bonds (5.10%) due 2016	8,870	7,870	8,745
	8,870	7,870	8,745
1997 Series A-2:			
Serial bonds (4.10% to 5.40%) due 1998 – 2008	7,115	5,585	6,785
Term bonds (6.00%) due 2019	3,710	3,375	3,710
Term bonds (6.10%) due 2022	4,765	4,335	4,765
Term bonds (6.10%) due 2028	10,000	9,095	10,000
	25,590	22,390	25,260
1997 Series B-1:			
Taxable term bonds (7.26%) due 2012	5,000	2,985	4,715
	5,000	2,985	4,715
1997 Series B-2:			
Term bonds (6.00%) due 2016	3,025	3,025	3,025
Term bonds (6.125%) due 2026	11,890	11,890	11,890
Term bonds (6.15%) due 2029	5,085	5,085	5,085
	20,000	20,000	20,000
1997 Series C-1:			
Taxable term bond (floating rate) due 2027	8,940	7,180	8,840
	8,940	7,180	8,840

(Continued)

Bonds payable, continued	**Original Amount**	**Balance 1999**	**Balance 1998**
1997 Series C-2:			
Term bonds (5.70%) due 2016	1,905	1,865	1,905
	1,905	1,865	1,905
1997 Series C-3:			
Serial bonds (4.25% to 5.25%) due 1999 – 2006	1,060	1,000	1,060
Term bonds (5.85%) due 2014	4,460	4,370	4,460
Term bonds (5.95%) due 2028	18,635	18,265	18,615
	24,155	23,635	24,135
1997 Series D-1:			
Taxable term bonds (6.94%) due 2019	14,680	14,010	14,680
	14,680	14,010	14,680
1997 Series D-2:			
Term bonds (5.85%) due 2020	960	960	960
Term bonds (5.875%) due 2024	6,450	6,450	6,450
Term bonds (5.90%) due 2026	4,840	4,840	4,840
Term bonds (5.90%) due 2030	8,070	8,070	8,070
	20,320	20,320	20,320
1998 Series A-1:			
Taxable term bonds (6.18%) due 2029	7,035	6,650	7,035
	7,035	6,650	7,035
1998 Series A-2:			
Serial bonds (4.85% to 4.95%) due 2010 – 2011	875	875	875
Term bonds (5.15%) due 2017	5,625	5,625	5,625
	6,500	6,500	6,500
1998 Series A-3:			
Serial bonds (4.10% to 4.60%) due 1999 – 2010	4,665	4,550	4,665
Term bonds (5.375%) due 2022	7,000	7,000	7,000
Term bonds (5.375%) due 2029	9,800	9,800	9,800
	21,465	21,350	21,465
1998 Series B-1:			
Taxable term bonds (6.45%) due 2029	15,000	14,290	15,000
	15,000	14,290	15,000

Bonds payable, continued	Original Amount	Balance 1999	Balance 1998
1998 Series B-2:			
Term bonds (5.40%) due 2016	4,285	4,075	4,285
	4,285	4,075	4,285
1998 Series B-3:			
Serial bonds (4.10% to 5.20%) due 1998 – 2010	3,035	2,765	2,995
Term bonds (5.55%) due 2014	8,860	8,395	8,860
Term bonds (5.55%) due 2028	10,000	9,435	10,000
	21,895	20,595	21,855
1998 Series C-1:			
Taxable term bonds (6.07%) due 2025	7,300	7,245	7,300
	7,300	7,245	7,300
1998 Series C-2:			
Term bonds (5.25%) due 2017	3,710	3,595	3,710
	3,710	3,595	3,710
1998 Series C-3:			
Serial bonds (4.00% to 5.15%) due 2000 – 2011	4,730	4,610	4,730
Term bonds (5.30%) due 2013	1,655	1,605	1,655
Term bonds (5.45%) due 2028	270	265	270
Term bonds (4.75%) due 2028	5,000	4,520	5,000
Term bonds (5.45%) due 2029	13,425	13,055	13,425
	25,080	24,055	25,080
1998 Series D-1:			
Term bonds (5.15%) due 2017	3,710	3,500	3,710
	3,710	3,500	3,710
1998 Series D-2:			
Serial bonds (3.90% to 4.90%) due 2001 – 2010	3,720	3,500	3,720
Term bonds (5.25%) due 2028	10,000	10,000	10,000
Term bonds (5.35%) due 2028	145	140	145
Term bonds (4.625%) due 2030	13,000	12,095	13,000
Term bonds (5.35%) due 2030	4,195	3,955	4,195
	31,060	29,690	31,060
1999 Series A-1:			
Term bonds (5.05%) due 2017	4,280	4,280	—
	4,280	4,280	—

Bonds payable, continued	Original Amount	Balance 1999	Balance 1998
1999 Series A-2:			
Serial bonds (3.95% to 5.00%) due 2001 – 2011	5,035	5,035	—
Term bonds (5.25%) due 2029	235	235	—
Term bonds (4.70%) due 2029	8,000	8,000	—
Term bonds (5.25%) due 2030	17,450	17,450	—
	30,720	30,720	—
1999 Series X-1:			
Term bonds (5.96%) due 2030	10,000	9,995	—
	10,000	9,995	—
1999 Series X-2:			
Serial bonds (3.90% to 5.00%) due 2001 – 2012	2,725	2,720	—
Term bonds (5.15%) due 2019	4,900	4,885	—
Term bonds (4.55%) due 2030	9,000	8,365	—
Term bonds (5.30%) due 2031	15,035	14,990	—
	31,660	30,960	—
1999 Series Y-1:			
Term bonds (6.86%) due 2031	15,000	14,995	—
	15,000	14,995	—
1999 Series Y-2:			
Term bonds (5.35%) due 2013	1,290	1,290	—
Term bonds (5.50%) due 2019	4,655	4,655	—
	5,945	5,945	—
1999 Series Y-3:			
Serial bonds (4.25% to 5.35%) due 2002 - 2012	2,955	2,955	—
Term bonds (5.05%) due 2030	7,650	7,575	—
Term bonds (5.65%) due 2031	14,635	14,635	—
	25,240	25,165	—
1999 Series Z-1:			
Term bonds (7.09%) due 2029	13,000	13,000	—
	13,000	13,000	—
1999 Series Z-2:			
Term bonds (5.55%) due 2013	545	545	—
	545	545	—

Bonds payable, continued		Original Amount	Balance 1999	Balance 1998
1999 Series Z-3:				
Serial bonds (4.50% to 5.70%) due 2002 - 2012		2,710	2,710	—
Term bonds (5.95%) due 2019		3,475	3,475	—
Term bonds (5.65%) due 2030		5,040	5,040	—
Term bonds (6.05%) due 2030		13,165	13,165	—
Term bonds (6.05%) due 2031		1,780	1,780	—
		26,170	26,170	—
	$	734,325	636,670	510,305

GNMA Mortgage Program Fund		Original Amount	Balance 1999	Balance 1998
1989 Series A:				
Serial bonds (7.85% to 8.00%), due 1998 – 2001	$	11,925	—	880
Term bonds (8.125%), due 2006		9,875	—	2,345
Term bonds (8.200%), due 2020		62,000	—	14,770
		83,800	—	17,995
1990 Series B-1:				
Term bonds (7.55%), due 2010		7,620	3,370	4,890
Term bonds (7.60%), due 2015		7,905	3,490	5,070
		15,525	6,860	9,960
1990 Series B-2:				
Serial bonds (6.90% to 7.15%), due 1998 – 2001		4,170	380	900
Term bonds (7.55%), due 2021		11,500	—	—
Term bonds (7.80%), due 2021		13,805	6,095	8,855
		29,475	6,475	9,755
1990 Series C:				
Serial bonds (6.85% to 7.20%), due 1998 – 2002		4,075	540	1,170
Term bonds (7.70%), due 2010		5,955	2,600	4,120
Term bonds (7.45%), due 2021		16,000	—	—
Term bonds (7.80%), due 2021		18,970	8,230	13,065
		45,000	11,370	18,355

(Continued)

Bonds payable, continued	Original Amount	Balance 1999	Balance 1998
1990 Series D:			
Serial bonds (6.85% to 7.05%), due 1998 – 2001	3,780	305	715
Term bonds (7.70%), due 2010	6,945	2,645	3,950
Term bonds (7.40%), due 2021	11,250	—	—
Term bonds (7.80%), due 2021	20,025	7,635	11,380
	42,000	10,585	16,045
1990 Series F-1:			
Term bonds (7.45%), due 2010	10,015	5,365	6,770
Term bonds (7.50%), due 2015	9,305	4,980	6,280
	19,320	10,345	13,050
1990 Series F-2:			
Serial bonds (6.65% to 7.00%), due 1998 – 2002	6,215	1,045	1,780
Term bonds (7.75%), due 2022	19,465	10,395	13,125
	25,680	11,440	14,905
	$ 260,800	57,075	100,065

Multi-Unit Mortgage Program Fund	Original Amount	Balance 1999	Balance 1998
1983 Series A:			
Term bonds (9.125%), due 2002	$ 300	195	250
Term bonds (9.375%), due 2024	1,720	1,720	1,720
	2,020	1,915	1,970
1985 Series A:			
Serial bonds (8.70% to 8.75%), due 1998 – 1999	4,045	—	500
Term bonds (9.0%), due 2005	4,100	—	4,100
Term bonds (9.0%), due 2013	10,095	—	10,095
Capital Appreciation Bonds (10.0%), due 2018	455	—	1,243
	18,695	—	15,938
1993 Series A:			
Serial Bonds (5.50% to 6.30%) due 1998 – 2003	2,185	705	860
Term bonds (6.6%) due 2011	2,075	2,075	2,075
Term bonds (6.75%) due 2021	4,665	4,665	4,665
	8,925	7,445	7,600

Bonds payable, continued		Original Amount	Balance 1999	Balance 1998
1992 Hunter's Run:				
Term bonds (7.0%), due 2003		400	190	230
Term bonds (7.25%), due 2018		1,500	1,500	1,500
Term bonds (7.35%), due 2033		5,330	5,330	5,330
		7,230	7,020	7,060
1997 Series M-A (Cumberland Crossing):				
Term bonds (adjustable rate) due 2028		9,200	9,121	9,175
		9,200	9,121	9,175
1997 Series M-B (Cumberland Crossing):				
Term bonds (adjustable rate) due 2028		800	793	798
		800	793	798
1999 Series A (Indiana Affordable Housing):				
Term bonds (5.40%) due 2009		1,400	1,400	—
Term bonds (6.10%) due 2020		5,500	5,500	—
Term bonds (6.20%) due 2030		10,430	10,430	—
		17,330	17,330	—
1999 Series B (Indiana Affordable Housing):				
Term bonds (6.88%) due 2004		860	860	—
		860	860	—
	$	65,060	44,484	42,541

First Home Mortgage Program Fund		Original Amount	Balance 1999	Balance 1998
1994 Series A:				
Serial bonds (4.66% to 5.81%), due 1998 – 2008	$	1,165	760	895
Term bonds (5.96%), due 2014		1,015	790	910
Term bonds (6.06%), due 2020		1,430	1,085	1,245
Term bonds (6.11%), due 2025		1,430	1,015	1,160
		5,040	3,650	4,210
1994 Series B:				
Serial bonds (4.38% to 5.68%) due 1998 – 2008		1,165	715	875
Term bonds (5.88%), due 2014		1,015	810	930
Term bonds (5.93%), due 2020		1,430	1,005	1,175
Term bonds (5.98%), due 2025		1,430	940	1,145
		5,040	3,470	4,125

(Continued)

Bonds payable, continued		**Original Amount**	**Balance 1999**	**Balance 1998**
1994 Series C:				
Serial bonds (4.31% to 5.46%), due 1998 – 2008		1,165	765	925
Term bonds (5.71%), due 2014		1,015	825	910
Term bonds (5.81%), due 2020		1,455	1,100	1,235
Term bonds (5.86%), due 2025		1,430	1,005	1,150
		5,065	3,695	4,220
1994 Series D:				
Serial bonds (4.74% to 5.64%) due 1998 – 2008		1,165	745	875
Term bonds (5.84%), due 2014		1,015	845	910
Term bonds (5.94%), due 2020		1,455	1,085	1,170
Term bonds (5.94%), due 2025		1,430	960	1,105
		5,065	3,635	4,060
	$	20,210	14,450	16,615

Working Families Program Fund		**Original Amount**	**Balance 1999**	**Balance 1998**
1994 Series D:				
Term bonds (3.90%), due 1996	$	31,265	—	—
Term bonds (5.60%), due 2009		—	3,465	4,610
Term bonds (6.35%), due 2017		—	12,110	12,110
		31,265	15,575	16,720
1996 Series B:				
Serial bonds (4.40% to 5.35%), due 1998 – 2004		3,225	1,965	2,670
Term bonds (5.80%), due 2020		6,220	4,680	5,570
Term bonds (6.45%), due 2025		13,835	12,435	13,415
Term bonds (6.45%), due 2027		7,500	6,740	7,275
		30,780	25,820	28,930
	$	62,045	41,395	45,650

The Single Family, Residential, GNMA, Multi-Unit, First Home and Working Families bonds are special obligations of the Authority. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures. Hunters Run, Cumberland Crossing, and Indiana Affordable Housing, three bond series within the Multi-Unit Mortgage Program Fund, are conduit issues. All scheduled advance and delinquent payments on mortgage loans, mortgage insurance and guaranty proceeds received by the Authority, and the earnings on investments of amounts held under the Bond Trust Indentures are pledged to secure the payment of the Bonds. The Bonds are also secured by a pledge and assignment of the rights and interests of the Authority in the mortgage loans and a pledge of the investment accounts of the program fund and the amounts of which are prescribed by the Trust Indentures.

The 1997 Series B, 1997 Series C, 1997 Series D, 1998 Series A, 1998 Series B, 1998 Series C, 1999 Series X, 1999 Series Y, and 1999 Series Z include both taxable and tax-exempt bonds. Taxable bonds were utilized to increase resources for the Authority's mortgage program.

The 1997 Series C-1 are floating rate bonds. The interest rate is the three-month LIBOR plus .25% adjusted on the second business day preceding the beginning of each calendar quarter. The General Fund purchased an interest rate cap to protect the rate from exceeding 8.0%.

The 1997 Series M-A and 1997 Series M-B Bonds have an adjustable rate that is currently remarketed on a weekly basis.

The Single Family, Residential, GNMA, Multi-Unit, First Home and Working Families bonds are subject to optional redemption provisions at various dates at prices ranging from 100 to 103 percent of the principal amount, extraordinary optional redemption at par from unexpended or uncommitted funds, prepayments of mortgage loans and proportionate amounts in certain related accounts or excess revenues. The Authority determined to redeem $94,1375,575 and $94,005,869 of bonds in 1999 and 1998, respectively, from prepayments which had been received. The bond redemptions resulted in write-offs of unamortized discount and deferred debt issuance costs related to the redeemed bonds.

Scheduled amounts of principal payments in the five years subsequent to December 31, 1999 are as follows (all amounts in the thousands):

	Single Family Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Program Fund	Working Families Program Fund	Combined
2000	$ 8,515	1,055	409	300	405	10,684
2001	8,820	1,125	552	320	430	11,247
2002	10,585	1,175	583	335	435	13,113
2003	11,705	1,265	627	330	455	14,382
2004	12,035	1,405	691	340	240	14,711

Collateralized Bank Loans

During 1993, the Authority used three bank loans to refinance or redeem bonds in the following 1980 Single Family Mortgage Indenture Series:

1983A Series	1984A Series
1983B Series	1984B Series
1983C Series	

In the transaction, the bonds were redeemed at the option of the Authority at a premium and the resulting excess assets in the form of mortgage loans receivable were distributed from the 1980 Single Family Indenture to the General Fund-Investments as collateral for the bank loans. The Authority repaid the 1983 A/B bank loan in 1998 and the 1983C and 1984 A/B bank loans in 1999.

During 1996, the Authority used one new bank loan to redeem all of the bonds from the General Fund Collateralized Mortgage Obligation Series A.

Bank loans with Bank One, N.A. (formerly NBD Bank, N.A.) totaling $26,638,000 and $47,885,000 as of December 31, 1999 and 1998, respectively, are summarized as follows as of December 31, 1999 and 1998:

	1999	
	1985CMO Loan	**Line of Credit**
Original loan amount	$ 50,000,000	25,375,000
Date of loan	January 22, 1996	December 30, 1999
3-Month variable interest rate (LIBOR plus 30 basis points for 1985CMO; LIBOR plus 23 basis points divided by 1.56 plus 110 basis points)	6.37875%	5.40800%
Maturity date of loan	February 1, 2003	April 1, 2000
Outstanding loan amount as of December 31, 1999	$ 12,588,000	14,050,000

(Continued)

	1998			
	1983C Loan	**1984A/B Loan**	**1985CMO Loan**	**Line of Credit**
Original loan amount	$ 8,585,500	15,453,000	50,000,000	25,375,000
Date of loan	December 30, 1993	December 30, 1993	January 22, 1996	December 39, 1998
3-Month variable interest rate (LIBOR plus 45 basis points for 1983C and 1984A/B/; LIBOR plus 30 basis points for 1985CMO; 47.5% of prime for line of credit)	5.76250%	5.76250%	5.61250%	3.68125%
Maturity date of loan	January 1, 2000	January 1, 2000	February 1, 2003	July 1, 1999
Outstanding loan amount as of December 31, 1998	$ 433,000	444,000	21,633,000	25,375,000

The 1985CMO bank loan is collateralized by the GNMA certificates held in the General Fund Investments Indenture. The Authority purchased an interest rate cap to protect the rate from exceeding 7.875%. Asset coverage certificates are required on a monthly basis whereby the designated assets for the bank loan exceeds the liabilities by 102%. The interest rate is set on a quarterly basis.

(7) Extraordinary Items

During 1999, the GNMA Mortgage Program Fund redeemed the remaining bonds on the 1989 Series A, through an optional redemption, at a premium of 103% resulting in a premium paid of $428,100. This transaction resulted in extraordinary deferred debt issuance cost of $162,469.

During 1999, the Multi-Unit Mortgage Program Fund redeemed the remaining bonds on the 1985 Series A, through an optional redemption. The borrower in this series opted to prepay the mortgage loans. The terms of mortgage note required the borrower to pay the outstanding principal of the bonds plus accrued interest. As the total outstanding principal and accrued interest exceeded the remaining balance of the mortgage loan, the Authority recognized $1,481,047 in gain from early extinguishment of the bonds. This transaction resulted in extraordinary deferred debt issuance cost and original issue discount of $211,750 and $70,328 respectively.

(Continued)

During 1998, the Single Family Mortgage Program Fund redeemed the remaining bonds on the 1987 Series B, through an optional redemption, at a premium of 102.5% resulting in a premium paid of $155,250. The Authority also redeemed the remaining bonds on the 1987 Series C, through an optional redemption, at a premium of 102.5% resulting in a premium paid of $137,375. In addition, the Authority redeemed the remaining bonds on the 1997 Series E. These transactions resulted in extraordinary deferred debt issuance cost and original issue discount of $145,549 and $2,949, respectively.

During 1998, the Residential Mortgage Program Fund redeemed the remaining bonds on the 1988 Series RA. This resulted in an extraordinary bond call premium of $224,666 and write-off of deferred debt issuance cost and original issue discount of $141,704 and $4,637, respectively.

(8) Commitments

As of December 31, 1999 the Authority had the following commitments:

Lease

Lease expense of the Authority was $202,039 in 1999 and $156,899 in 1998. Future lease commitments under the operating lease are as follows:

Year	Amount
2000	$ 225,303
2001	231,504
2002	237,705
2003	243,906
2004	250,107
Thereafter	429,936

Excess Investment Earnings

In order to preserve the exemption of federal and state income taxation on interest received by the bond holders, each bond issue is subject to certain Internal Revenue Code (IRC) and U.S. Treasury Regulations. Under these regulations, the Authority is required to pay the federal government any excess earnings as defined by IRC Section 148(f) on all nonpurpose investments if such investments were invested at a rate greater than the yield on the bond issue.

The Authority's liability, included in accounts payable and other liabilities on the combined balance sheet, for excess earnings at December 31, follows:

	1999	1998
General Fund Investments	$ 210,660	—
GNMA Mortgage Program Fund	40,390	237,190
Working Families Program Fund	549,973	549,973
	$ 801,023	787,163

Distributions

The Authority distributed $750,000 and $1,155,000 to the Trust Fund and $350,000 and $300,000 to supplement the down payment assistance program in 1999 and 1998 respectively.

(9) Retirement Plan

(a) Plan Description

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF was created and is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such it is PERF's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

The plan is a contributory defined benefit plan which covers substantially all Authority employees. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF members to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. An employee may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the employee's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions are met, an employee may retire with 100% of the defined pension at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the employee's highest five years of employment earning within the 10 years preceding retirement. Employees who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by .100% for each of the first 60 months and by .417% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.

Employees have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERF, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, Indiana 46204.

(b) Funding Policy

The Authority contributes the employees required contribution of 3% of their annual salaries to an annuity savings account that may be withdrawn at any time with interest should an employee terminate employment. The Authority is required by state statute to contribute at an actuarially determined rate. The current rate is 5.7% of annual covered payroll. The contribution requirements of plan members are determined by State statute.

(c) Annual Pension Cost

For the 1998 plan year (the most recent year for which PERF information is available), the Authority's annual pension cost of $77,800 was equal to the required and actual contributions. The Authority's expense for 1999 was $94,400. The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the Authority's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The required contributions were determined as part of the June 30, 1998 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases of 5.00% per year, attributable to inflation; and (c) assumed annual post retirement benefit increases of 2.00%. PERF uses the level percentage of payroll method to amortize the unfunded liability over a closed 40-year period.

(d) Historical Trend Information

Historical trend information as of the three most recent years available about the Corporation's participation in PERF is presented below to help readers assess the plan's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due.

	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation
December 31, 1998	$ 77,800	106%	$ (4,300)
December 31, 1997	70,700	99%	7,000
December 31, 1996	62,600	91%	6,200

Valuation date	(1) Actuarial value of assets	(2) Entry age actuarial accrued liability	(2-1) Assets in excess of accrued liability (AEAAL)	(1/2) Funded ratio	(3) Annual covered payroll	[(2-1)/3] AEAAL as a percentage of covered payroll
June 30, 1998	$ 1,467,000	1,346,000	(121,000)	109.0%	1,109,000	—
June 30, 1997	1,305,000	1,322,000	17,000	98.7%	1,157,000	1.47%
June 30, 1996	1,204,000	1,226,000	22,000	98.2%	1,114,000	1.97%